Senate Budget Committee Republican Staff
BUDGET BULLETIN
A Weekly Bulletin produced when the Senate is in session.

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INFORMED BUDGETEER: WELCOME TO THE 108th CONGRESS!

PRESIDENT SIGNS EXTENSION OF UNEMPLOYMENT BENEFITS

- As its first order of business, on January 7 the 108th Congress passed S.23 – a five-month extension of Unemployment Insurance benefits. The extension passed the House the following day and was signed by President Bush hours later (PL 108-1).

- The new law extends the Temporary Extended Unemployment Compensation (TEUC) Act of 2002 from the end of 2002 until June 1, 2003. Claimants who have exhausted their state benefits (of up to 26 weeks) will continue to qualify for up to an additional 13 weeks of federally-funded benefits in all states, and those receiving TEUC prior to December 28 will suffer no lapse in benefits. High unemployment states remain eligible for an additional 13 weeks of benefits (known as TEUC-X). Currently, Alaska, Oregon and Washington qualify as high unemployment states. The national average weekly benefit amount is $254.

- The extension also changes the way the TEUC program expires. Instead of benefits ending on June 1, they will continue to be paid for 13 weeks so long as the claimant has entered the program by May 31. However, no new claimants can enter the program after June 1. No payments can be made after August 30, 2003.

- According to Labor Department estimates, 1.6 million more unemployed are likely to exhaust their state benefits and qualify for federal benefits between now and June 1. Another 750,000 to 800,000 claimants whose benefits would have terminated on December 28 can continue to receive payments—bringing the total estimate for those eligible for federally funded benefits under this extension to approximately 2.4 million. CBO's estimate for the cost of this extension is $7.25 billion for FY2003 (based on the March 2002 baseline).

SENATE COMMITTEE BUDGETS – A LOOK BACK

- The issue of committee funding allocations has delayed the organization of Senate committees, as well as most other Senate activity – especially the unfinished 2003 appropriation bills. The *Bulletin* thought it would be instructive to review the history of committee funding allocations.

- During the 103rd-106th Congresses, the majority party controlled roughly 2/3 of the committee funding in 13 of the 18 Senate committees included in the biennial committee funding resolution (the appropriations committee controls its own funding). The exceptions included Rules & Intelligence, which have historically split funding on an almost equal basis, and Indian Affairs, Commerce, and Armed Services whose majority share of funding have ranged from a high of 67% to a low of 59%.

- Committee funding allocations in the 107th Congress were governed by S. Res. 8, which specified equal committee funding, and S. Res. 120, which required chairman/ranking member funding agreements that were in place prior to June 5, 2001, to remain effective until the end of the 107th Congress. The *Bulletin* notes that memorializing committee funding allocations in a Senate "organizing" resolution was an historical anomaly associated with the 50-50 membership at the start of the 107th Congress.

POLITICAL DIVISIONS OF THE U.S. SENATE AND SENATE COMMITTEES

		1993	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*
REPUBLICANS		43	43	53	53	55	55	55	54	50/49	49
DEMOCRATS		57	57	47	47	45	45	45	46	50	50
Agriculture	Majority	66%	66%	66%	66%	66%	66%	66%	66%	50%	50%
	Minority	34%	34%	34%	34%	34%	34%	34%	34%	50%	50%
Armed Services	Majority	61%	61%	65%	65%	65%	65%	67%	67%	50%	50%
	Minority	39%	39%	35%	35%	35%	35%	33%	33%	50%	50%
Banking	Majority	67%	67%	67%	67%	67%	67%	67%	67%	50%	50%
	Minority	33%	33%	33%	33%	33%	33%	33%	33%	50%	50%
Budget	Majority	63%	63%	63%	63%	63%	63%	63%	63%	50%	50%
	Minority	37%	37%	37%	37%	37%	37%	37%	37%	50%	50%
Commerce	Majority	60%	60%	60%	60%	59%	59%	59%	59%	50%	50%
	Minority	40%	40%	40%	40%	41%	41%	41%	41%	50%	50%
Energy	Majority	67%	67%	67%	67%	67%	67%	67%	67%	50%	50%
	Minority	33%	33%	33%	33%	33%	33%	33%	33%	50%	50%
Environment	Majority	67%	67%	67%	67%	67%	67%	67%	67%	50%	50%
	Minority	33%	33%	33%	33%	33%	33%	33%	33%	50%	50%
Finance	Majority	67%	67%	67%	67%	67%	67%	67%	67%	50%	50%
	Minority	33%	33%	33%	33%	33%	33%	33%	33%	50%	50%
Foreign Rel.	Majority	67%	67%	67%	67%	67%	67%	61%	61%	50%	50%
	Minority	33%	33%	33%	33%	33%	33%	39%	39%	50%	50%
Gov. Affrs.	Majority	67%	67%	67%	67%	67%	67%	67%	67%	50%	50%
	Minority	33%	33%	33%	33%	33%	33%	33%	33%	50%	50%
H.E.L.&P.	Majority	66%	66%	66%	66%	66%	66%	66%	66%	50%	50%
	Minority	34%	34%	34%	34%	34%	34%	34%	34%	50%	50%
Judiciary	Majority	67%	67%	67%	67%	67%	67%	67%	67%	50%	50%
	Minority	33%	33%	33%	33%	33%	33%	33%	33%	50%	50%
Rules	Majority	57%	57%	54%	54%	55%	55%	55%	55%	50%	50%
	Minority	43%	43%	46%	46%	45%	45%	45%	45%	50%	50%
Veterans' Affrs.	Majority	67%	67%	65%	65%	63%	63%	63%	63%	50%	50%
	Minority	33%	33%	35%	35%	37%	37%	37%	37%	50%	50%
Small Business	Majority	67%	67%	67%	67%	66%	66%	67%	67%	50%	50%
	Minority	33%	33%	33%	33%	34%	34%	33%	33%	50%	50%
Aging	Majority	67%	67%	67%	67%	67%	67%	67%	67%	50%	50%
	Minority	33%	33%	33%	33%	33%	33%	33%	33%	50%	50%
Intelligence	Majority	54%	54%	54%	54%	58%	58%	59%	59%	50%	50%
	Minority	46%	46%	46%	46%	42%	42%	41%	41%	50%	50%
Indian Affrs.	Majority	60%	60%	60%	60%	60%	60%	60%	60%	50%	50%
	Minority	40%	40%	40%	40%	40%	40%	40%	40%	50%	50%

Source: U.S. Senate Rules Committee

NEW CONGRESS AND NEW MEMBERS; OLD BUDGET AND SOME TRUSTY OLD RULES

- The Senate in the 108th Congress has already begun dealing with legislation that has budgetary effects, and new recruits to the ranks of inquiring budgeteers would do well to wonder what budgetary rules currently apply in the Senate. Despite the glaring absence of an FY 2003 budget resolution (the 2002 budget resolution is still in effect) and the expiration (on September 30, 2002) of much of the Budget Enforcement Act, the *Bulletin* offers this brief primer on the enforcement tools that still exist.

- On October 16, 2002, the Senate adopted S. Res. 304 (applying in the Senate only), which extended the 60-vote requirement for waivers and appeals for Budget Act points of order through April 15, 2003 (the points of order never expired; just the 60-vote requirement had dropped to a simple majority). The resolution also revived the Senate's pay-go point of order through April 15th and set the Senate's scorecard to zero for all fiscal years.

- S. Res. 304 also made the Senate pay-go rule applicable to appropriations legislation so that any increase in direct spending or reductions in revenues attached to an appropriations bill will face a 60-vote hurdle. This deviation from the usual rule – that all spending on appropriations is considered discretionary and is charged against the Appropriations Committee's discretionary allocation – was necessitated by the fact that there is no 2003 discretionary allocation to the Appropriations Committee (because there is no budget resolution for FY 2003). This new rule in S. Res. 304 makes it impossible to avoid a 60-vote point of order that would apply against pay-go increases in authorizing legislation simply by attaching the pay-go changes to an appropriations bill (which otherwise currently faces no super-majority enforcement).

- So what's in the Senate tool box (all four of these points of order will require 60 votes for a waiver – at least until April 15)?:

  (1) a *section 302(f) point of order* may be raised against any authorizing legislation that increases spending beyond the committee's allocation accompanying the FY 2002 resolution (the enforcement periods being the sum of FY 2002-2006 and 2002-2011);

  (2) a *section 311(b)(2)(B) point of order* may be raised against any legislation that reduces revenues (same enforcement periods as for section 302);

  (3) a *section 311(a)(3) point of order* may be raised against any legislation that reduces the Social Security surplus by any amount (same enforcement periods as for section 302);

  (4) a *pay-go point of order (Section 207 of H. Con. Res. 68, 106th Cong.)* may be raised against any legislation containing any increase in direct spending or decrease in revenues (the enforcement periods being the sum of FY 2002-2006 and 2007-2011).

- The *Bulletin* expects that the supermajority discipline that was temporarily restored in S. Res. 304 will be extended prior to April 15th. This can be accomplished in either another simple S. Res. or in the FY 2004 budget resolution.

ECONOMIC IMPACT OF THE PRESIDENT'S JOBS AND GROWTH PROPOSAL

- Last week, the President released the details of his $674 billion Jobs and Growth Proposal. It is intended to raise long-term growth and inoculate the economy against the recent escalation in geopolitical risks. The proposal's main features are an acceleration of the marginal rate reductions, enacted in 2001, and the elimination of the double taxation of dividends. It also would increase the amount of investment that small businesses can deduct from their taxes and would provide states with $3.6 billion to fund Personal Re-employment Accounts that unemployed workers can use to pay for job training.

- The Council of Economic Advisers (CEA) estimates that the President's proposal would increase annual real GDP growth by 0.4 and 1.1 percentage points in 2003 and 2004, respectively. Thereafter, medium-term growth would receive a boost of an average 0.2 percentage points annually. As a result of faster economic growth, the CEA expects the plan would generate an additional 190,000 new jobs this year and 900,000 next year. Official estimates of the revenue impact of this proposal are not yet available from the Joint Committee on Taxation or the Department of Treasury's Office of Tax Analysis.

- Despite the fact that many economists believe this proposal will increase stock market values, such an impact was excluded from the CEA's analysis in the spirit of calculating conservative estimates. The CEA estimates also implicitly assume that the President's policies do not begin to affect the economy until they are enacted in the second half of 2003.

ECONOMIC IMPACT OF THE PRESIDENT'S PROPOSAL

CHANGES	2003	2004	2003-2007
Additional Real GDP Growth (% point)	0.4	1.1	0.2*
Additional Job Creation	190,000	900,000	170,000*
Lower Unemployment Rate (% point)	-0.1	-0.6	-0.5

Source: Council of Economic Advisors, January 7, 2003
* Annual Average, 2003-2007

EDITOR'S NOTES

New management is pleased to continue the longstanding tradition of publishing the *Budget Bulletin* on a weekly basis when the Senate is in session. The *Bulletin* is distributed to more than 600 loyal readers and is accessible on the Committee's web site.

The *Bulletin*, under the direction of incoming Chairman Don Nickles, welcomes returning Republican members: Pete Domenici (NM), esteemed outgoing Ranking Member and former Chairman; Charles Grassley (IA); Judd Gregg (NH); and Wayne Allard (CO). We also welcome our newest Republican committee members and thank them for their dedication to the budget process: Conrad Burns (MT), Mike Enzi (WY), Jeff Sessions (AL), Jim Bunning (KY), Mike Crapo (ID), John Ensign (NV) and John Cornyn (TX).

Finally, the *Bulletin* wishes to acknowledge the departure of Bill Hoagland, one of the original budgeteers following enactment of the Congressional Budget Act of 1974 and self-described budget geek. As informed budgeteers know, Bill's expertise now serves the Senate Majority Leader. The *Bulletin* was founded in 1991 under Bill's vision and guidance. The *Bulletin* salutes Bill and wishes him well, fully expecting he will continue to be a loyal reader from his new office in the U.S. Capitol.

We will strive for the *Bulletin* to live up to Bill's vision of a clear, factual, and, above all, informative document.